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COMMISSIONER NEWMAN'S PROPOSED AMENDMENT NO. 1

TIME/DATE PREPARED: 8:30 a.m. - December 15, 2010

COMPANY: ARIZONA-AMERICAN WATER COMPANY

AGENDA ITEM NO. 13

DOCKET NO(S). W-01303A-09-0343 & SW-01303A-09-0343

OPEN MEETING DATE: DECEMBER 14 & 15, 2010

Arizona Corporation Commission

DOCKETED

DEC 15 2010

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[Signature]

AZ CORP COMMISSION
DOCKET CONTROL

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DELETE page 36, line 18 through page 44, line 10.

INSERT page 36, line 18 the following:

At this time, we do not have sufficiently complete information to make a final determination on the rate base treatment for the plant associated with the balloon payments. Certain aspects of this unusual Infrastructure Agreement are implicated in litigation brought in the United States District Court concerning Pulte's duty to disclose infrastructure costs to be borne by Anthem home purchasers.

Since the close of the evidentiary record in this docket, the US District Court has entered a decision that finds that developer Pulte breached its duty to disclose to Anthem home purchasers that they would bear future costs related to infrastructure improvements for utility services. Although the Company was dismissed with prejudice from the litigation, questions remain as to whether there may or should be potential regulatory consequences for the Company implicated by the matters addressed in the litigation. In light of these extraordinary circumstances wherein the developer's failure to make required disclosures has resulted in a potentially significant detriment to Anthem ratepayers, we find that the record would benefit from further inquiry into these matters and development of potential regulatory responses.

Therefore, the Commission will not make a determination at this time on the Company's request in this case to include in rate base its equity investment related to the balloon payments to Pulte. Instead, the Commission will hold further evidentiary proceedings on these issues and hereby directs the Hearing Division to conduct these additional proceedings and make recommendations for future Commission consideration. In these additional proceedings, the parties should not be limited to discussing the implications of the federal court litigation; they should also propose any other regulatory treatment that they believe is appropriate under these unusual circumstances. Further, we recognize that some parties have recommended phase-in proposals in the event that the plant associated with the Pulte balloon payments is accorded rate base treatment. Parties

THIS AMENDMENT:

____ Passed _____ Passed as amended by _____

____ Failed _____ Not Offered _____ Withdrawn

should be allowed to reassert those proposals—and any additional proposals—in the subsequent proceedings on these issues.

The Commission takes this action to have a fuller evidentiary record in order that it may properly balance the public interest in setting just and reasonable rates for the Company and its ratepayers under these unusual circumstances. Because this is an extraordinary situation, the time clock is suspended related to the Commission's further proceedings on these issues for the Anthem districts. These further proceedings shall be held in an expeditious manner, reasonable under the circumstances.

The Commission also notes that this Order's determinations related to the Company's request for a rate increase for the Anthem districts not related to the rate basing of the advance refunds will go into effect as otherwise provided by this decision. The rates that go into effect for the Anthem districts as a result of this decision may be modified when the Commission considers the recommended order based upon the fuller evidentiary record on the infrastructure rate base issues discussed herein.

MAKE ALL CONFORMING CHANGES, INCLUDING ORDERING
PARAGRAPH(S)

THIS AMENDMENT:		
_____ Passed _____	Passed as amended by _____	
_____ Failed	_____ Not Offered	_____ Withdrawn